



# Financial Results Presentation Meeting

## Interim results for FY2006 (Apr.-Sep. 2006)

Oct. 30, 2006

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# Summary of Interim Results

(Apr.-Sep. 2006)

# Key Points of Interim Financial Results

(Change from Projections)

## ◆ Increase in both sales and income

(compared with Projection as of 7/28)

### [Positive factors]

- Increase in residential gas sales volume because of low temperatures during the period
- Decrease in raw material cost due to a high exchange rate of the yen
- Decrease in fixed cost as a result of effort for cost cut and delay of budget execution

### [Negative factors]

- Decrease in commercial gas sales volume because of low temperatures during the period

(billion yen)

	Projection as of 4/27	Projection as of 7/28	<b>FY06 Interim Results</b>	Change from projection as of 4/27	Change from projection as of 7/28
Sales	589.0	602.0	<b>603.5</b>	+14.5 (+2.4%)	+1.5(+0.3%)
Operating Income	39.0	49.0	<b>62.7</b>	+23.7 (+60.7%)	+13.7 (+28.1%)
Ordinary Income	35.0	43.0	<b>55.5</b>	+20.5(+58.5%)	+12.5 (+29.3%)
Net Income	21.0	26.0	<b>36.0</b>	+15.0(+71.4%)	+10.0 (+38.7%)
Crude oil price(\$/bbl)	120.00	117.25	<b>115.38</b>	-4.62	-1.87
Exchange rate(¥/US\$)	60.00	67.58	<b>67.81</b>	+7.81	+0.23

Note: Figures are rounded down to nearest ¥0.1 billion.

# Key Points of Interim Financial Results

( compared with FY2005 1H)

## ◆ Increase in both sales and income from FY2005 1H

### [Positive factors]

- Rise in the unit price from rate adjustment system
- Increase in Industrial gas sales

### [Negative factors]

- Increase in raw material cost due to high rise in crude oil price

(billion yen)

	FY05 Interim Results	<b>FY06 Interim Results</b>	Change from FY05
Sales	534.4	<b>603.5</b>	+69.1(+12.9%)
Operating Income	35.7	<b>62.7</b>	+27.0(+75.6%)
Ordinary Income	32.4	<b>55.5</b>	+23.1(+71.1%)
Net Income	22.1	<b>36.0</b>	+13.9(+62.8%)
Exchange rate(¥/US\$)	109.52	<b>115.38</b>	+5.86
Crude oil price(\$/bbl)	53.09	<b>67.81</b>	+14.72

Note: Figures are rounded down to nearest ¥0.1 billion.

# Reasons for Changes in Operating Income

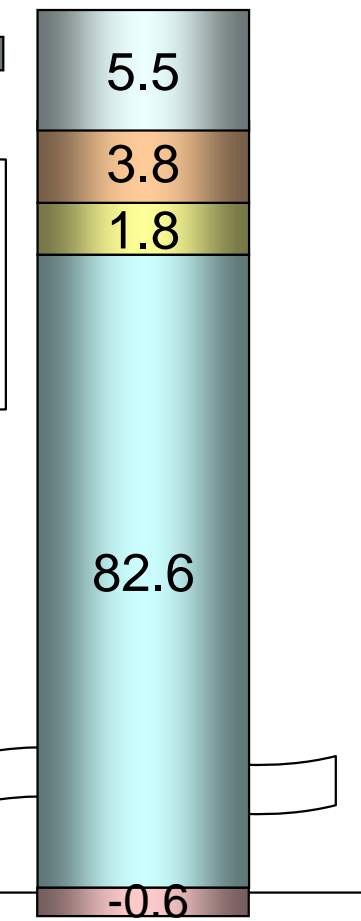
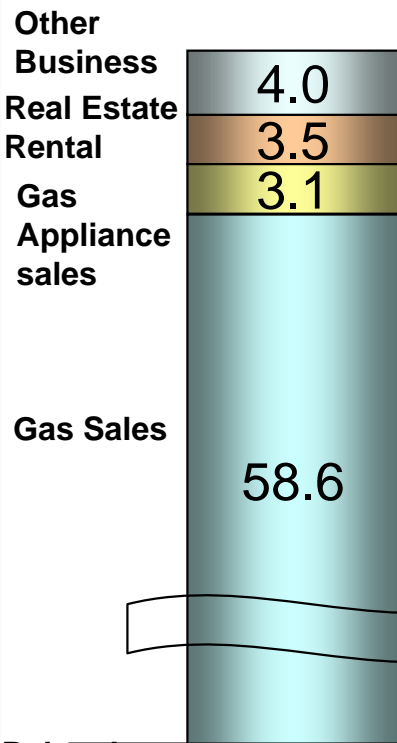
(billion yen)

**+ 27.0 billion yen**

Operating income without internal transactions: 35.7

Operating income without internal transactions: 62.7

**Gas Sales +24.0**  
**Gas Appliance sales -1.3**  
**Related Construction -0.6**  
**Real Estate Rental +0.3**  
**Other Business +1.5**



-Increase in raw material cost due to high rise in crude oil price (-)  
 -Rise in the unit price from rate adjustment system(+)  
 - Increase in gas sales volume due to lower temperatures (+)

-Increase in cost of Gas Alarm Lease

-Increase in operating income due to progress of depreciation of LNG vessels

Decrease in numbers of constructions

\*These figures do not include operating expenses that cannot be allocated to a specific segment.

(\*)Total 69.2

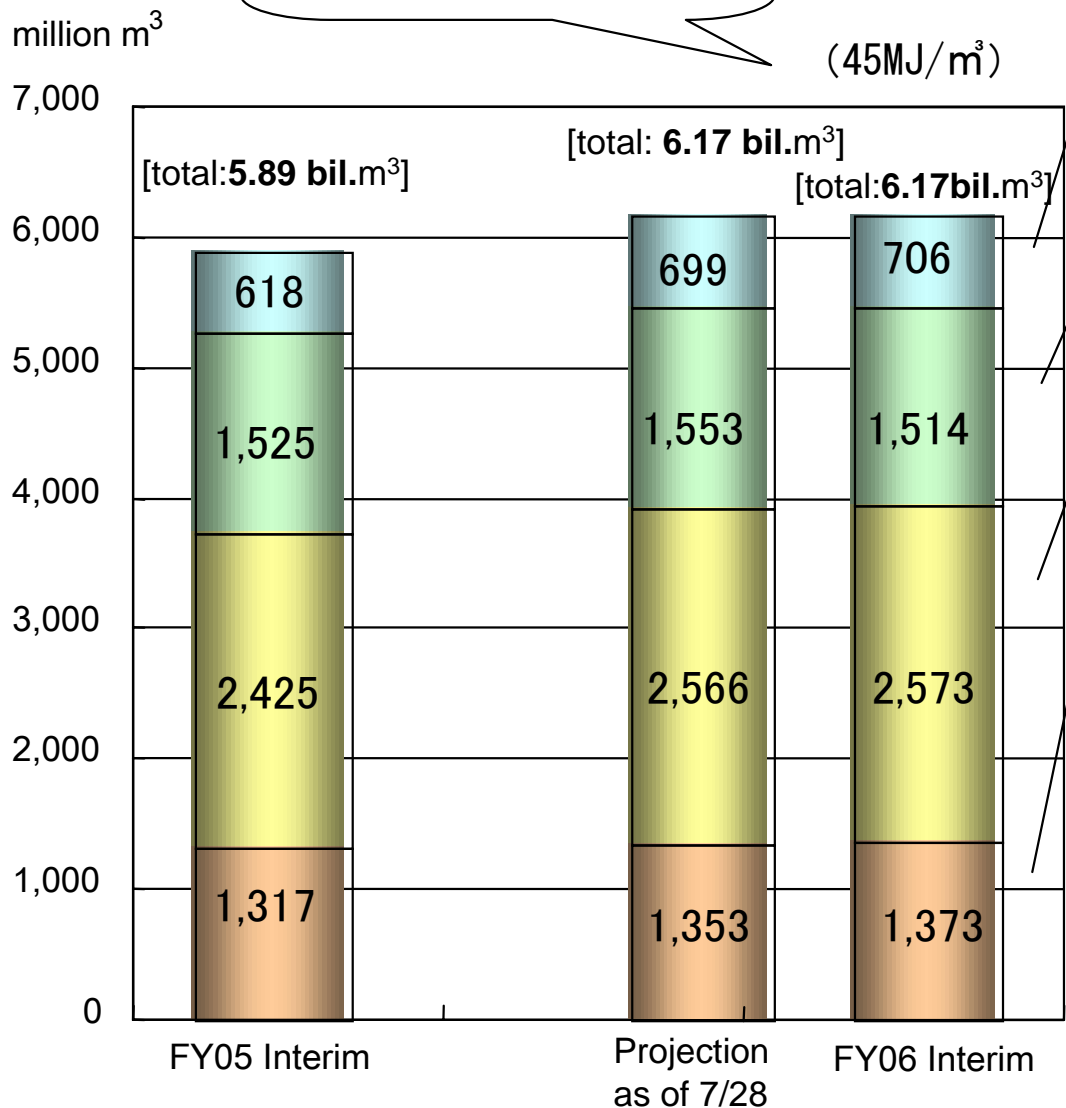
**+24.1 billion**

(\*)Total 93.3

# Gas Sales Volume Projections

(Change from previous year and projections)

4.8% increase from FY05 1H  
(+282million m<sup>3</sup>)



## <Reasons for Changes in Gas Sales Volume from FY05 1H>

**Wholesale Supply: +14.3% (+88mil. m<sup>3</sup>)**  
 -Increase in sales to other gas utilities through developing new demand for those utilities and increasing demand of existing customers

**Commercial & Other Use: - 0.7 % (-11mil. m<sup>3</sup>)**  
 -Decreased demand for air conditioning due to low temperatures

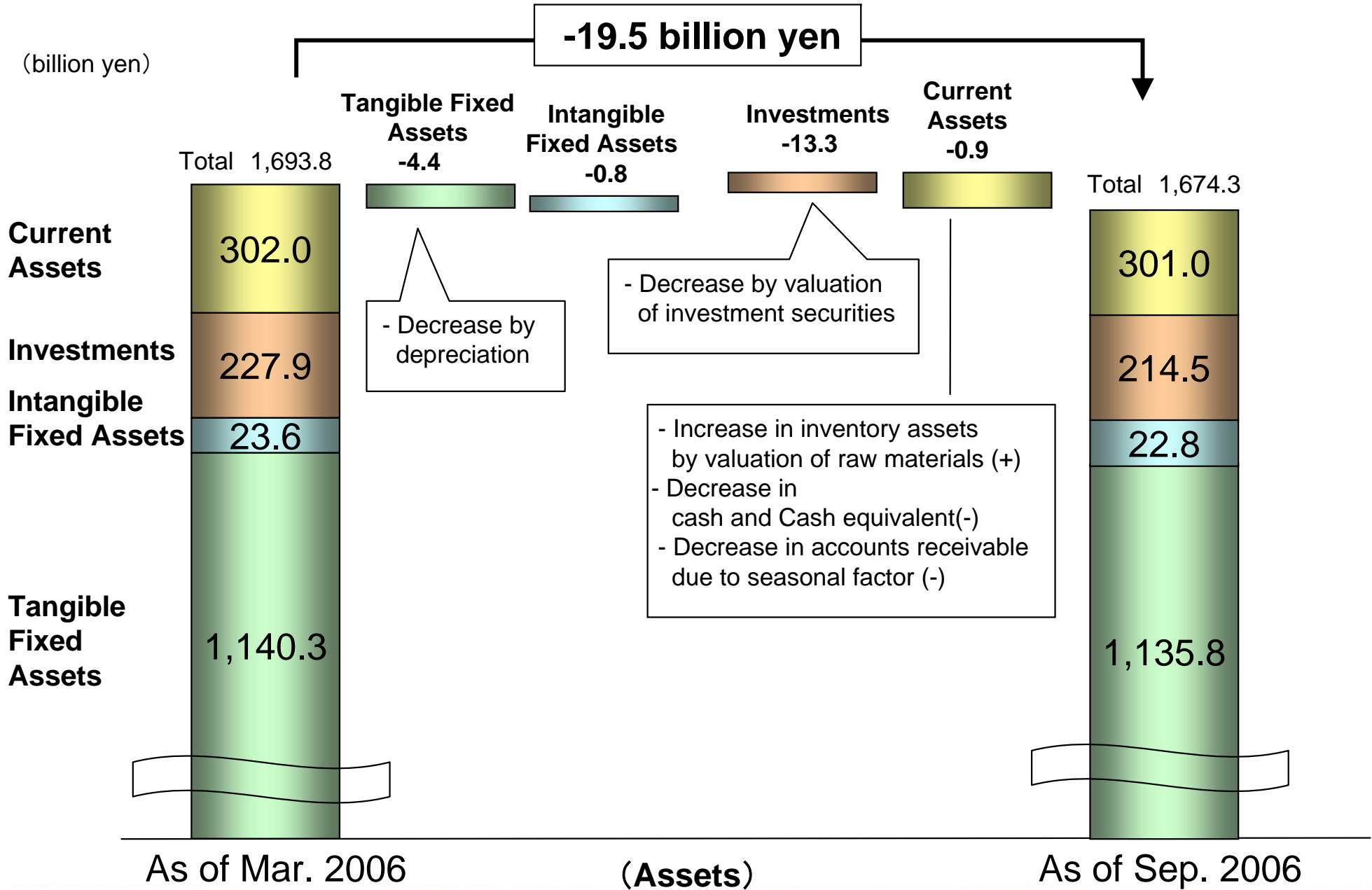
**Industrial Use: + 6.1% (+148mil. m<sup>3</sup>)**  
 -Developed new demand of power generation  
 -Increased demand by existing customers

**Residential Use: +4.3% (+56mil.m<sup>3</sup>)**  
 -Increase in hot water demand due to low temperatures  
 -Increase in number of customers

(Reference)	projection as of 7/28	FY06 Interim results	Change from projection as of 7/28	
Residential	1,353	1,373	+21	+1.5%
Industrial	2,566	2,573	+7	+0.3%
Commercial & Other	1,553	1,514	-39	-2.5%
Wholesale	699	706	+7	+1.0%
<b>Total</b>	<b>6,172</b>	<b>6,167</b>	<b>-5</b>	<b>-0.1%</b>

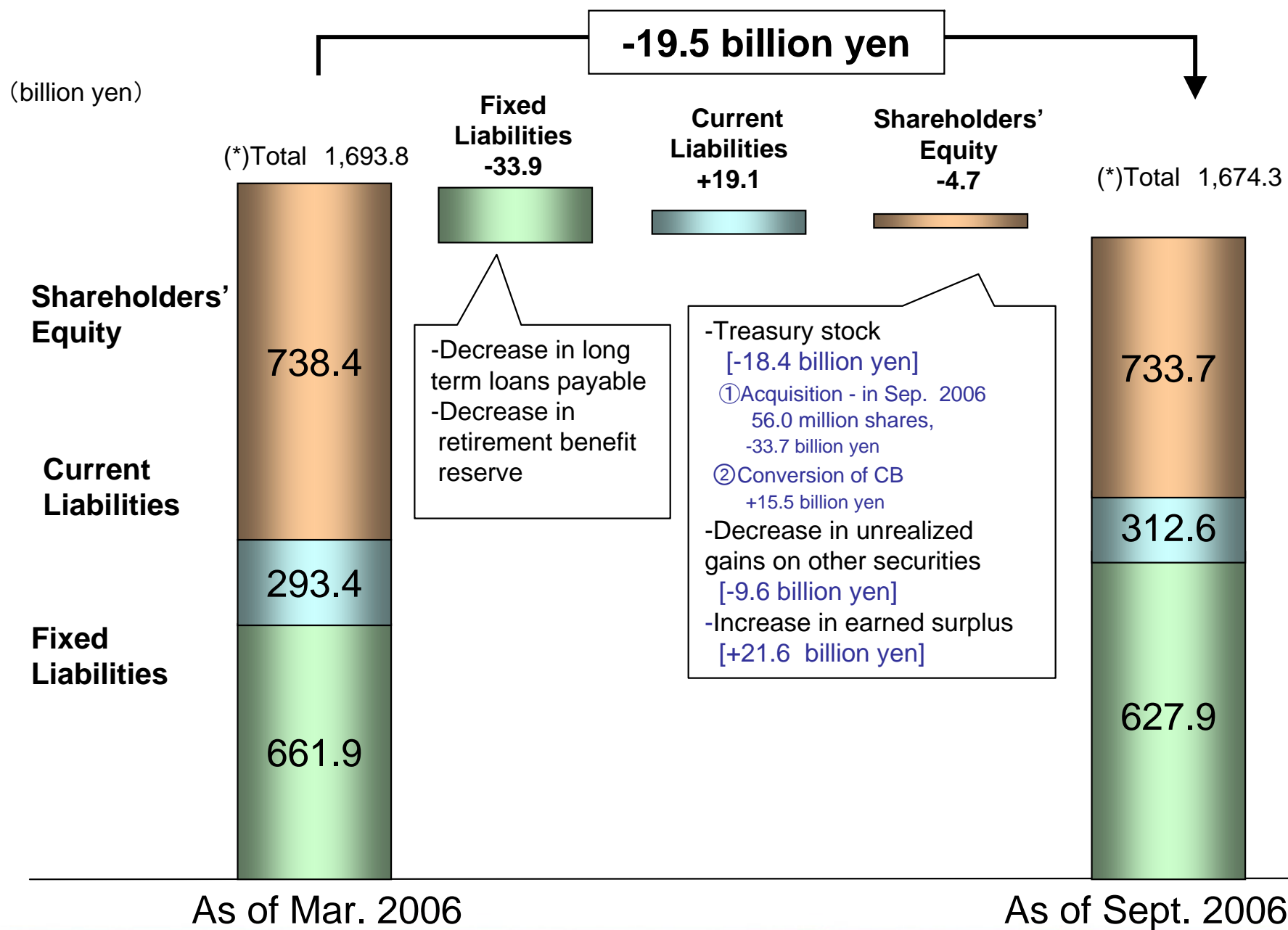
(Rounded off to nearest million m<sup>3</sup>)

# Reasons for Changes in Balance Sheet (Assets)



# Reasons for Changes in Balance Sheet

(Liabilities & Shareholders' Equity)







# **Outlook for FY06 projection** **(April 2006 – March 2007)**

# Key points for FY06 projection (change from projection)

## ◆ Decrease in sales , Increase in income (compared with projection as of FY2006 1Q)

### [Positive factors]

- Decrease in raw material cost
- Increased Income in consolidated subsidiary

### [Negative factors]

- Decrease in gas unit price due to a high exchange rate of the yen
- Increased in operating expenses (cost of measure for safety etc.)

### ■ Factors of change in projection as of FY06 1Q(non consolidated)

[1] Increase margin because of gas sales volume	<b>+1.6 ¥billion</b>
[2] Increase revenue by rate adjustment system	<b>+3.6 ¥billion</b>
[3] Increase in operating expenses	<b>-2.0 ¥billion</b>
[4] Increase in operating expense of gas appliances sales	<b>-1.3 ¥ billion</b>
[5] Decrease in non-operating profit	<b>-2.0 ¥ billion</b>
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<b>Ordinary Income</b>	<b>0 ¥billion</b>
<b>( 117.0 ¥billion → 117.0 ¥billion)</b>	

(billion yen)

	FY06 projection as of Apr. 27	FY06 projection as of Jul. 28	<b>FY06 projection as of Oct. 30</b>	Change from projection as of Apr.27	Change from projection as of Jul.28
Sales	1,370.0	1,394.0	<b>1,392.0</b>	+22.0(+1.6%)	-2.0(-0.1%)
Operating Income	134.0	135.0	<b>141.0</b>	+7.0(+5.2%)	+6.0(+4.4%)
Ordinary Income	126.0	126.0	<b>131.0</b>	+5.0(+4.0%)	+5.0(+4.0%)
Net Income	82.0	82.0	<b>86.0</b>	+4.0(+4.9%)	+4.0(+4.9%)
Crude oil price(\$/bbl)	62.50	68.79	<b>68.95</b>	+6.45	+0.16
Exchange rate(¥/US\$)	120.00	118.62	<b>117.69</b>	-2.31	-0.93

Note: Figures are rounded down to nearest ¥0.1 billion.

# Gas Sales Volume Projections

(Change from previous year and past projections)

0.1% decrease from projection  
as of Jul.28  
(-14 million m<sup>3</sup>)

## <Reasons for Changes in Gas Sales Volume Projection from projection as of Jul.28>

### Wholesale Supply: +0.2% (+4 mil. m<sup>3</sup>)

- Increased in wholesale demand by low temperature in first half of FY2006

### Commercial & Other Use: -1.3% (-39 mil. m<sup>3</sup>)

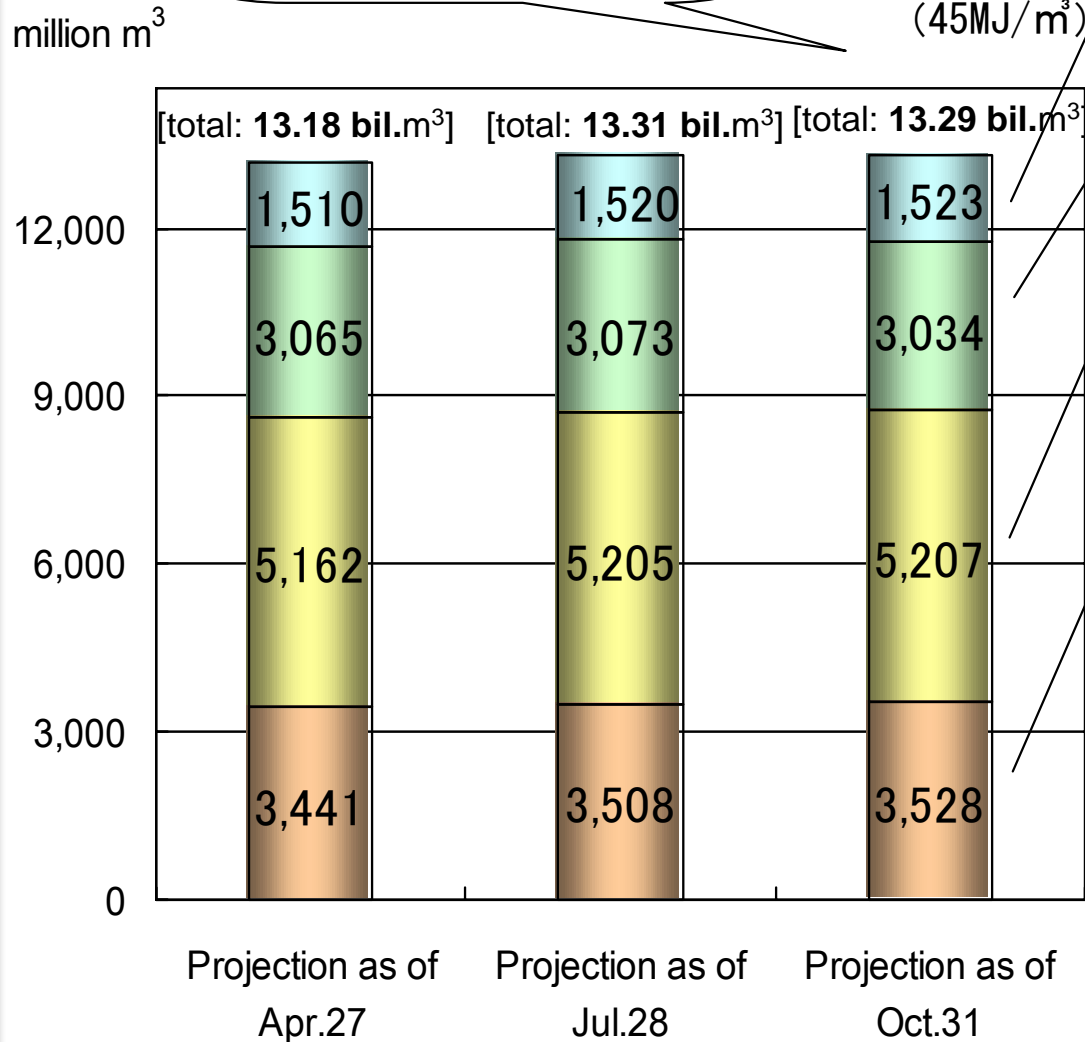
- Decreased demand for air conditioning due to low temperature in first half of FY2006

### Industrial Use: +0.0% (+2 mil. m<sup>3</sup>)

-Decreased demand of power generation due to periodical repair  
-Increased demand of existing customers

### Residential Use: +0.6% (+20 mil. m<sup>3</sup>)

- Decreased demand for hot water due to low temperature in first half of FY2006



(Reference)	Projection as of 4/27	projection as of 10/30	Change from projection as of 4/27	
			Change	%
Residential	3,441	3,528	+87	+2.5%
Industrial	5,162	5,207	+45	+0.9%
Commercial & Other	3,065	3,034	-31	-0.1%
Wholesale	1,510	1,523	+14	+0.9%
<b>Total</b>	<b>13,177</b>	<b>13,291</b>	<b>+114</b>	<b>+0.9%</b>

(Rounded off to nearest million m<sup>3</sup>)

# Key points for FY2006 projection ( change from FY05)

## ◆ Increase in both sales and income from FY2005

### [Positive factors]

- Increase in gas sales volume
- Rising the gas price due to rate adjustment system because of jump in crude oil prices
- Decrease in labor cost by one-off expense in actuarial differences

### [Negative factors]

- Increase in raw material cost due to high rise in crude oil price
- Increase in operating expenses

(Cost of measure for safety , Cost for against a serious challenge from electricity in residential use)

(billion yen)

	FY 05 Actual	<b>FY06 Projection</b>	Change from FY05
Sales	1,266.5	<b>1,392.0</b>	+125.5(+9.9%)
Operating Income	112.3	<b>141.0</b>	+28.7(+25.5%)
Ordinary Income	98.6	<b>131.0</b>	+32.4(+32.7%)
Net Income	62.1	<b>86.0</b>	+23.9(+38.5%)
Exchange Rate (¥/US\$)	113.32	<b>117.69</b>	+4.37
Crude Oil Price (\$/bbl)	55.81	<b>68.95</b>	+13.14

Note: Figures are rounded down to nearest ¥0.1 billion.

# Reasons for Changes in Operating Income

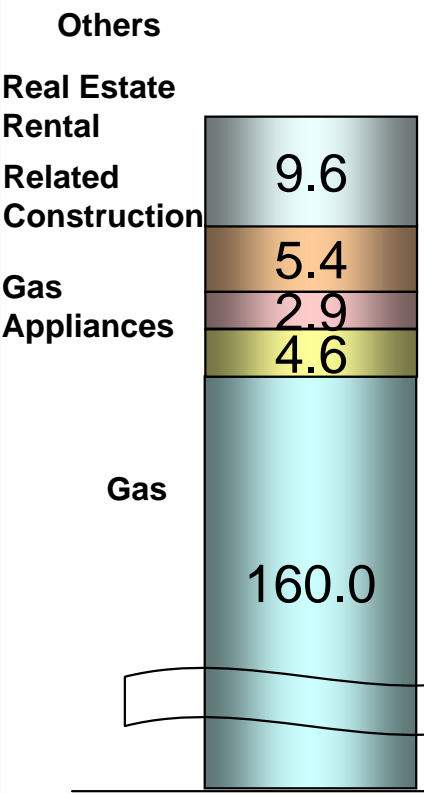
(billion yen)

**+28.7 billion yen**

Operating income without internal transactions: 112.3

Total Operating Income without internal transactions 141.0

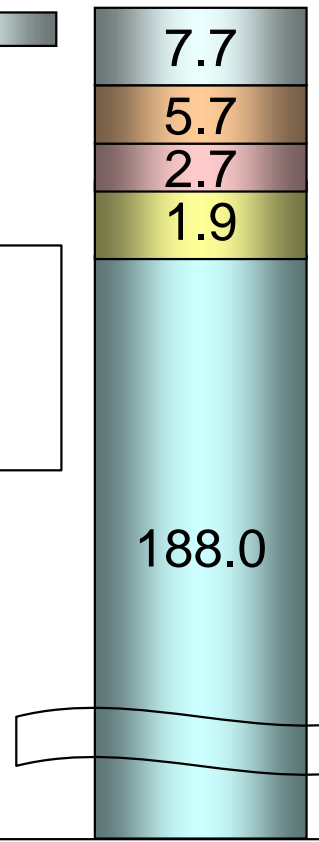
**Gas +28.0**  
**Gas Appliances -2.7**  
**Related Construction -0.2**  
**Real Estate Rental +0.3**  
**Others -1.9**



- Increase gas sales volume(+)
- Rising the gas price due to rate adjustment system(+)
- Increase in raw material cost due to high rise in crude oil price (-)

- [Energy Advance]
- Increase in depreciation by increasing orders of on-site energy service

- Increase in purchase price
- Increase in sales rebate



FY05

FY06 projection

\*These figures do not include operating expenses that cannot be allocated to a specific segment.

(\*)Total 182.7

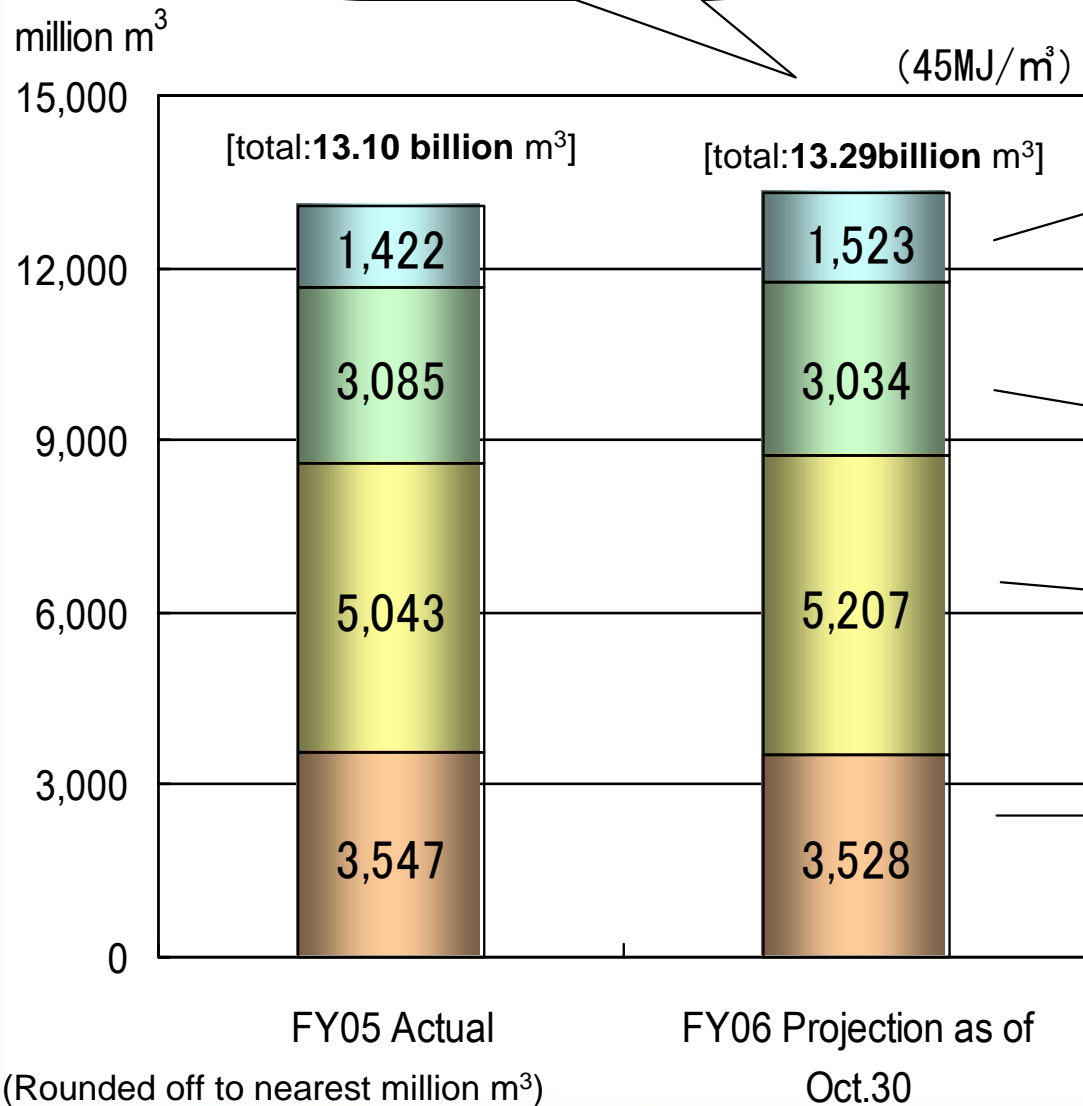
**+23.3 billion yen**

(\*)Total 206.0

# Gas Sales Volume Projections

(Change from previous year)

1.5% Increase from FY2005  
( 193million m<sup>3</sup>)



## <Reasons for Changes in Gas Sales Volume Projection from FY2005 Actual>

### **Wholesale Supply: +7.1%** (+101mil. m<sup>3</sup>)

-Increase in sales to other gas utilities by acquiring new demands and existing customers

### **Commercial & Other Use: -1.7%** (-52mil. m<sup>3</sup>)

-Decreased demand of air conditioning demand due to low temperature in the first half year of FY2006

### **Industrial Use: +3.2%** (+163mil. m<sup>3</sup>)

-Decreased demand of power generation due to periodical repair  
- Increased demand of existing customers

### **Residential Use: -0.5%** (-19mil. m<sup>3</sup>)

- Decrease in hot water demand due to low temperature in the first half year of FY2006

# References

# Performance Indicators (Interim Results-1)

(billion yen)

	FY05 Interim Results	Projection as of Apr.27	Projection as of Jul.28	<b>FY06 Interim Results</b>	Change from FY05	Change from projection as of Apr.27	Change from projection as of Jul.28
Sales	534.4	589.0	602.0	<b>603.5</b>	+12.9%	+2.4%	-0.2%
Operating Income	35.7	39.0	49.0	<b>62.7</b>	+75.6%	+60.7%	+27.9%
Ordinary Income	32.4	35.0	43.0	<b>55.5</b>	+71.1%	+58.5%	+29.0%
Net Income	22.1	21.0	26.0	<b>36.0</b>	+62.8%	+71.4%	+38.4%
EPS(¥)	8.39	-	-	<b>13.41</b>	+5.02	-	-
TEP	0.5	-	-	<b>12.7</b>	+12.2	-	-
Gas sales volume (million m3)	5,885	6,044	6,172	<b>6,167</b>	+4.8%	+2.0%	-0.1%
FX rate (yen/US\$)	109.52	120.00	117.25	<b>115.38</b>	+5.86	-4.62	-1.87
Oil price (\$/bbl)	53.09	60.00	67.58	<b>67.81</b>	+14.72	+7.81	+0.23



# Performance Indicators (Interim Results-2)

(billion yen)

	FY05 Interim Results	projectio n as of Apr.27	projection as of Jul.28	<b>FY06 Interim Results</b>	Change from FY05	Change from projection as of Apr.27	Change from projection as of Jul.28
Total Assets(a)	1,645.4	-	-	<b>1,674.3</b>	+1.7%	-	-
Shareholders' Equity (b)	666.1	-	-	<b>723.1</b>	+8.6%	-	-
Equity Ratio: (b)/(a)	40.5%	-	-	<b>43.2%</b>	+2.7%	-	-
Outstanding Debt	637.6	-	-	<b>612.1</b>	-4.0%	-	-
Operating Cash Flow (c) + (d)	87.3	86.0	91.0	<b>101.2</b>	+15.9%	+17.6%	+11.2%
Net Income (c)	22.1	21.0	26.0	<b>36.0</b>	+62.8%	+71.4%	+38.5%
Depreciation (d)	65.1	65.0	65.0	<b>65.2</b>	+0.1%	+0.3%	+0.3%
CAPEX	54.2	71.0	71.0	<b>58.6</b>	+8.1%	-17.4%	-17.4%
ROA: (c) / (a)	1.3%	-	-	<b>2.1%</b>	+0.8%	-	-
ROE: (c) / (b)	3.4%	-	-	<b>5.0%</b>	+1.6%	-	-

Note: Total Assets and Shareholders' Equity and Equity ratio and Outstanding Debt in FY05 is shown as of Mar.2006

ROA=Net Income / Average Total Assets, ROE=Net Income / Average Shareholders' Equity

Operating Cash Flow = Net Income + Depreciation

# Performance Indicators (FY2006 projection-1)

(billion yen)

	FY05 Results	Projection as of Apr.27	Projection as of Jul.28	<b>FY06 projection</b>	Change from FY05	Change from projection as of Apr.27	Change from projection as of Jul.28
Sales	1,266.5	1,370.0	1,394.0	<b>13,920</b>	+9.9%	+1.6%	-0.1%
Operating Income	112.3	134.0	135.0	<b>1,410</b>	+25.5%	+5.2%	+4.4%
Ordinary Income	98.6	126.0	126.0	<b>1,310</b>	+32.9%	+4.0%	+4.0%
Net Income	62.1	82.0	82.0	<b>860</b>	+38.5%	+4.9%	+4.9%
EPS(¥)	23.48	30.46	30.37	<b>32.19</b>	+8.71	+1.73	+1.82
TEP	22.9	37.8	37.9	<b>40.9</b>	+18.0	+3.1	+3.0
Gas sales volume (million m3)	13,098	13,177	13,305	<b>13,291</b>	+1.5%	+0.9%	-0.1%
FX rate (yen/US\$)	113.32	120.00	118.62	<b>117.69</b>	+4.37	-2.31	-0.93
Crude oil price (\$/bbl)	55.79	62.50	68.79	<b>68.95</b>	+13.16	+6.45	+0.16

Note: EPS=earnings per number of shares as of half year ended

# Performance Indicators (FY2006 projection-2)

(billion yen)

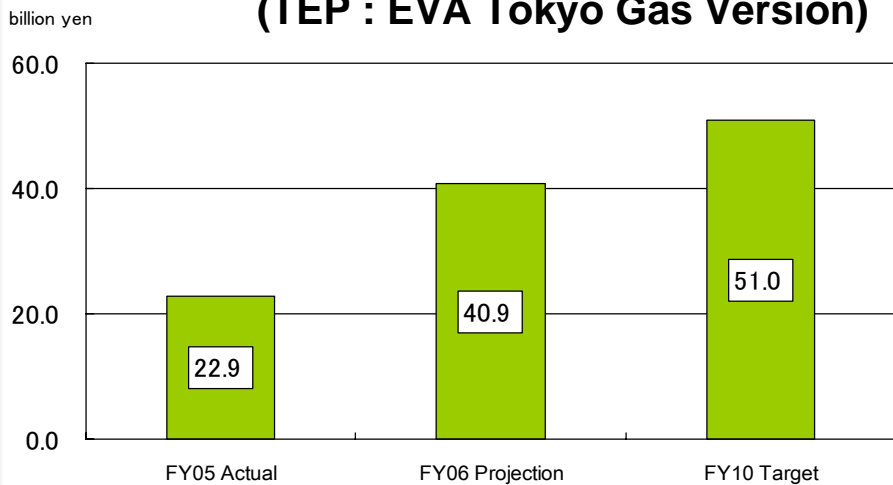
	FY05 Results	Projection as of Apr.27	Projection as of Jul.28	<b>FY06 projection</b>	Change from FY05	Change from projection as of Apr.27	Change from projection as of Jul.28
Total Assets(a)	1,693.8	1,697.0	1,697.0	<b>1,684.0</b>	-0.6%	-0.8%	-0.8%
Shareholders' Equity (b)	728.2	766.0	766.0	<b>771.0</b>	+5.9%	+0.7%	+0.7%
Equity Ratio: (b)/(a)	43.0%	45.1%	45.1%	<b>45.8%</b>	+2.8%	+0.7%	+0.7%
Outstanding Debt	559.9	570.0	570.0	<b>529.0</b>	-5.5%	-7.2%	-7.2%
Cash Flow from Operating Activities (c) + (d)	198.4	218.0	218.0	<b>222.0</b>	+11.9%	+1.8%	+1.8%
Net Income (c)	62.1	82.0	82.0	<b>86.0</b>	+38.5%	+4.9%	+4.9%
Depreciation (d)	136.3	136.0	136.0	<b>136.0</b>	-0.2%	0.0%	0.0%
CAPEX	119.4	143.0	143.0	<b>140.0</b>	+17.3%	-2.1%	-2.1%
ROA: (c) / (a)	3.7%	4.8%	4.8%	<b>5.1%</b>	+1.4%	+0.3%	+0.3%
ROE: (c) / (b)	9.0%	11.0%	11.0%	<b>11.5%</b>	+2.5%	+0.5%	+0.5%

(\*) ROA=Net Income/Average Total Assets, ROE=Net Income/Average Shareholders' Equity

EPS: earnings per average number of shares issued and outstanding

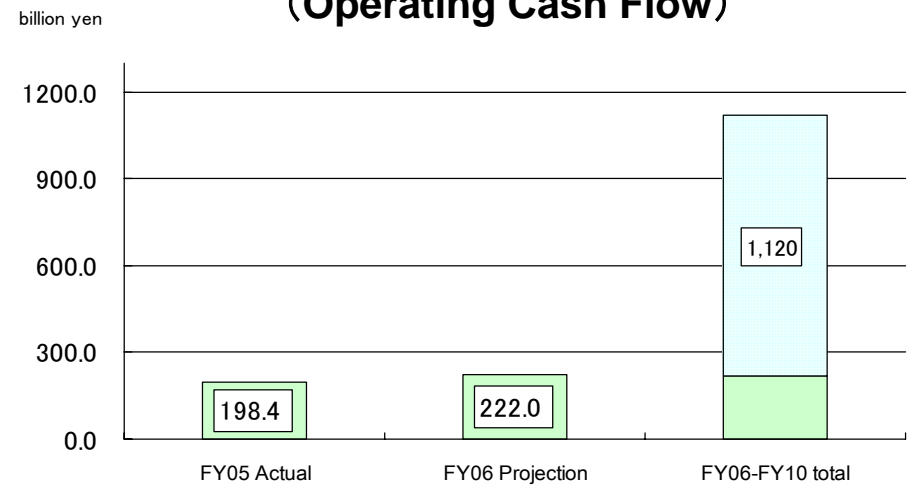
# Major management targets

**(TEP : EVA Tokyo Gas Version)**



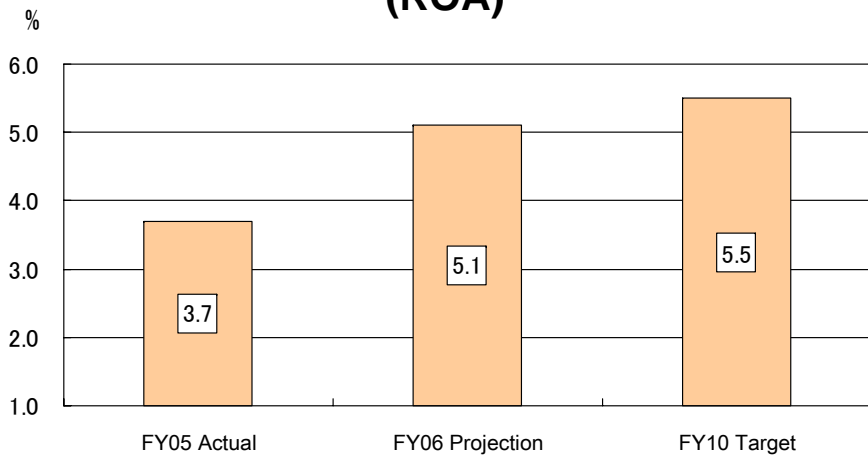
■ **TEP = After-tax, pre-interest-payment profit - capital cost (capital invested x WACC)**  
 WACC: FY05 Actual 3.7%, FY06 Projection 3.8%, FY10 target 3.8%

**(Operating Cash Flow)**



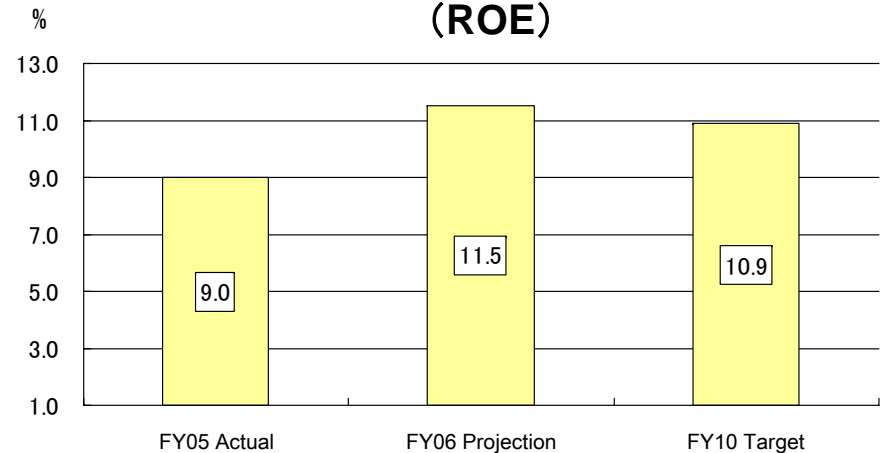
■ **OCF=Net profit + depreciation (including amortization of long-term expenses)**

**(ROA)**



■ **ROA=Net income/Average Total Asset**

**(ROE)**



■ **ROE=Net income/Average Shareholders' Equity**